

Message Text

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ACTION ARA-14

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SUBJECT: MEXICAN EMPLOYMENT FUND

REF: STATE 083152

1. EMBASSY OFFICERS HAVE HAD NUMEROUS CONVERSATIONS WITH GOM OFFICIALS ABOUT OTEYZA'S, MINISTER OF PATRIMONY, SPEECH OF MARCH 16 ANNOUNCING CREATION OF A NATIONAL EMPLOYMENT FUND TO BE FUNDED BY PETROLEUM EXPORT EARNINGS. STRICTLY SPEAKING OTEYZA WAS NOT TALKING ABOUT AN EMPLOYMENT FUND BUT A DEVELOPMENT FUND. THE MAIN PURPOSE OF THE SPEECH WAS TO STILL PUBLIC SPECULATION OVER THE USE OF THE FORTHCOMING FOREIGN EXCHANGE EARNINGS FROM PETROLEUM EXPORTS BUT IT WAS INTENDED TO STAKE OUT A CLAIM OF PATRIMONY FOR CONTROL OF THE FUNDS. NO OVERALL PLAN EXISTS AS YET, BUT THE DISCUSSIONS HAVE SURFACED SOME OF THE ELEMENTS WHICH MAY BECOME PART OF IT.

2. FIRST, THERE IS SOME RIVALRY GOING ON AMONG GOM MINISTRIES OVER WHO IS GOING TO CONTROL THE PETROLEUM REVENUES. CONTROL WILL DETERMINE USE TO A GREAT EXTENT.

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PATRIMONY WANTS TO USE THE FUNDS FOR INDUSTRIAL AND AGRO-INDUSTRIAL DEVELOPMENT AND IN THIS WAY GENERATE EMPLOYMENT BY DEVELOPMENT OF COMPETITIVE MANUFACTURING INDUSTRY. IT HAS PLANS TO EXPAND THE CAPITAL GOODS, GLASS, PETROCHEMICAL, METAL FORMING, AND AUTO PARTS INDUSTRIES. ONE TECHNIQUE IT IS THINKING OF, AND TO WHICH OTEYZA ALLUDED IN THE SPEECH, IS TO KEEP DOMESTIC

ENERGY COSTS VERY LOW AS A SUBSIDY TO INDUSTRY BY USING FOREIGN EARNINGS TO COVER DOMESTIC LOSSES. IT IS ALSO THINKING OF USING THE FUND TO DECENTRALIZE MEXICAN INDUSTRIAL DEVELOPMENT. IT DOES NOT WANT THE FUND TO BE USED FOR SOCIAL WELFARE TYPE PROJECTS AND IT FEARS THAT FUNDS WILL BE SIPHONED INTO HIGHER WAGES FOR THE UNIONIZED LABOR SECTOR.

3. THE MINISTRY OF TREASURY AGREES WITH PATRIMONY ON THE NEED FOR INDUSTRIAL DEVELOPMENT BUT IT WANTS MORE FUNDS FOR SUBSIDIES AND CREDITS DIRECTED TOWARD SMALL AND MEDIUM SIZED INDUSTRY WHEREAS PATRIMONY IS LOOKING MORE AT THE CAPITAL GOODS INDUSTRY.

4. PROGRAMACION, HOWEVER, IS THINKING MUCH MORE ABOUT WELFARE PROJECTS SUCH AS INCREASED FUNDING FOR RURAL DEVELOPMENT, E.G. PIDER, AND IN CONJUNCTION WITH THE MINISTRIES OF EDUCATION AND LABOR WANTS MORE FUNDING FOR RURAL EDUCATION AND VOCATIONAL TRAINING. THE ARGUMENT HERE IS THAT LACK OF EDUCATION IS AN IMPORTANT CAUSE OF UNDEREMPLOYMENT. A MAJORITY OF THE UNDEREMPLOYED DO NOT HAVE EVEN A PRIMARY SCHOOL EDUCATION. THE PRESIDENT'S ASESORIA IS ALSO STRESSING THE NEED FOR BETTER LABOR TRAINING FOR MORE SOPHISTICATED INDUSTRIAL NEEDS. THE FIRST STEP HAS ALREADY BEEN TAKEN IN THIS DIRECTION BY A PUBLIC PROMISE TO INTRODUCE, IN THE NEXT SESSION OF LIMITED OFFICIAL USE

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CONGRESS, MODIFICATIONS TO ARTICLE 123 OF THE CONSTITUTION DEALING WITH WORKER TRAINING, HEALTH, AND SECURITY.

5. BY 1980 MEXICO COULD BE EARNING ABOUT FIVE BILLION DOLLARS A YEAR FROM PETROLEUM EXPORTS AND IT MIGHT BE ABLE TO DOUBLE THAT BY 1982 OR 1983. ALSO IT COULD EARN ABOUT 1.5 BILLION DOLLARS A YEAR ON GAS EXPORTS TO THE U.S. BY 1980. AFTER 1980 ITS DEBT SERVICE WILL FALL OFF DRASTICALLY. HENCE IT LOOKS TO MOST OBSERVERS AS IF MEXICO CAN HANDLE ITS OWN CAPITAL NEEDS. HOWEVER VLADIMIRO BRAILOVSKY, DIRECTOR GENERAL FOR INDUSTRIAL PLANNING, WHO WROTE OTEYZA'S SPEECH, TOLD THE ECONOFF THAT THESE LARGE FUTURE FOREIGN EXCHANGE EARNINGS FROM PETROLEUM MAY PROVE ILLUSORY. AT CURRENT TRENDS BY THE EARLY 1980'S MEXICO WILL BE IMPORTING AT LEAST THREE BILLION DOLLARS A YEAR IN FOOD (THIS WAS IN OTEYZA'S SPEECH TOO BUT NO ONE SEEMED TO NOTICE IT). THE KEY TO A PLENTIFUL DEVELOPMENT FUND, THEREFORE, LIES IN INCREASING RAPIDLY MEXICAN AGRICULTURAL PRODUCTIVITY. GIVEN MEXICO'S LAND TENURE CONSTRAINT THIS IS GOING TO BE A DIFFICULT PROBLEM. OTEYZA'S SPEECH WAS JUST THE FIRST PUBLIC NOTICE THAT A DEBATE WAS BEGINNING WITHIN THE GOM OVER THE USE OF THE PETROLEUM

FUNDS. WITH SO MUCH MONEY BECOMING AVAILABLE EVERY
GOVERNMENT AGENCY WANTS A PART OF IT. WE SUSPECT THIS
INTERNAL DEBATE WILL CONTINUE FOR SOME TIME BEFORE A
DEFINITIVE PLAN EMERGES. LUCEY

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